

Categorize your business reports for easy comparisons and analysis

AT A GLANCE

As your company grows, it becomes more cumbersome to report on different facets of the company such as departments or locations. Fortunately, you can assign classes to the transactions you make — both income and expenses — to simplify your reporting down the road.

To create a class system within QuickBooks so we can see a breakdown of our financial reports, we'll:

- Enable class tracking in our company file and urge QuickBooks to prompt us to assign classes to all future transactions.
- Create a class list (including subclasses) that's relevant to our company and its structural organization.
- Modify our form template to include a Class column so we can assign classes to individual line items as opposed to an entire transaction.
- Observe the reporting results of assigning classes and filter a report to show only one particular class.

QuickBooks reports are important when you need to see where your business stands. However, financial statements often give you an idea of your business as a whole. What if you want to see the profit and loss for your company's three locations? Or what if you want to see how your company's five sales teams fared during the last quarter? Breaking down your financial statements so you can compare smaller subsets of your business is a vital reporting capability — and it's easy with QuickBooks' Class feature.

What can classes do for my reports?

Instead of analyzing your entire business, you may want to look at smaller divisions, such as store locations, company departments or sales teams. As

shown in **Figure 1**, you can categorize your Profit & Loss report so it's easy to compare classes. This means you can quickly identify lagging sales teams, booming departments or successful locations.

Crucial distinction: You shouldn't use classes to identify customers, vendors or jobs. QuickBooks has types to distinguish between those entities. Instead, you should only assign classes to transactions.

| | Bayshore Store | San Tomas Store | Unclassified | TOTAL |
|--------------------------------|-------------------|-------------------|------------------|-------------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| Sales | | | | |
| Assembled Systems | 181,505.00 | 46,425.00 | 1,349.00 | 229,279.00 |
| Merchandise | 74,474.98 | 31,867.67 | 783.92 | 106,326.57 |
| Service | 153,025.00 | 53,149.00 | 46,290.00 | 252,464.00 |
| Total Sales | 409,004.98 | 130,641.67 | 48,422.92 | 588,069.57 |
| Total Income | 409,004.98 | 130,641.67 | 48,422.92 | 588,069.57 |
| Cost of Goods Sold | | | | |
| Cost of Goods Sold | 131,963.54 | 49,813.40 | 544.08 | 181,321.02 |
| Total COGS | 131,963.54 | 49,813.40 | 544.08 | 181,321.02 |
| Gross Profit | 277,041.44 | 81,828.27 | 47,878.84 | 406,748.55 |
| Expense | | | | |
| Automobile Expense | 2,232.00 | 0.00 | 0.00 | 2,232.00 |
| Bank Service Charges | 0.00 | 0.00 | 130.00 | 130.00 |
| Marketing & Advertising | 17,102.00 | 0.00 | 0.00 | 17,102.00 |
| Merchant Fees | 4,284.72 | 765.87 | 539.88 | 5,590.47 |
| Office Expenses | 2,928.00 | 0.00 | 0.00 | 2,928.00 |
| Outside Services | 900.00 | 1,500.00 | 0.00 | 2,400.00 |
| Payroll Expenses | | | | |
| Gross Wages | 7,776.00 | 30,543.05 | 0.00 | 38,319.05 |
| Officer's Compensation | 36,866.74 | 0.00 | 0.00 | 36,866.74 |
| PR Tax Expense | 5,982.85 | 3,378.22 | 44.29 | 9,405.36 |

1: When you classify your transactions, it's easy to compare the expenses and income for smaller divisions of the company.

Enable class tracking

Before you can create and assign classes, you need to enable the feature in your company file.

To turn on class tracking:

1. Launch QuickBooks and open a sample company so you can follow along with us. We'll choose the Rock Castle Construction file.
2. Choose Edit | Preferences from the menu bar to display the Preferences window.
3. Click the Accounting button in the left panel.
4. Select the Company Preferences tab and select the Use Class Tracking check box.
5. Ensure that the Prompt To Assign Classes check box is selected, as shown in **Figure 2**, if you want QuickBooks to remind you when you don't classify a transaction.
6. Click OK to enable the feature.

Set up your class list

Now that you've enabled class tracking, you need to decide how you want to set up your classes (and/or subclasses). In other words, think about your company's structure and how you analyze the business. Here are some common ways to structure your class list:

- Assign a class to each store location
- Assign a class to each department in the company
- Assign a class to each business partner
- Assign a class to each business type (e.g., retail and consulting)
- Assign a class to each facet of your non-profit work

Since our sample company is a construction business, let's say there are three offices. We'll assign a class for each location.

To create a class:

1. Choose Lists | Class List from the menu bar to display the Class List window.
2. Click the Class button and select New from the resulting dropdown list. Alternatively, you can simply press [Ctrl]N.
3. In the New Class window, enter *Bayshore* in the Class Name text box and click Next to add it to the Class List window and clear the New Class window so its ready for another entry.
4. Repeat step 3 to make two additional classes: *Daly City* and *Colma*. Click OK to dismiss the New Class window. Your Class List window should now look similar to the one shown in **Figure 3**.

Start fresh: If you're using a sample company to follow along, it may already have a class list set up. You can use the existing classes or you can delete them to thoroughly follow our technique. Just select a class in the Class List window and press [Ctrl]D. Then click OK when QuickBooks asks you to confirm the deletion. Remember that if there are subclasses in place, you must delete them first.

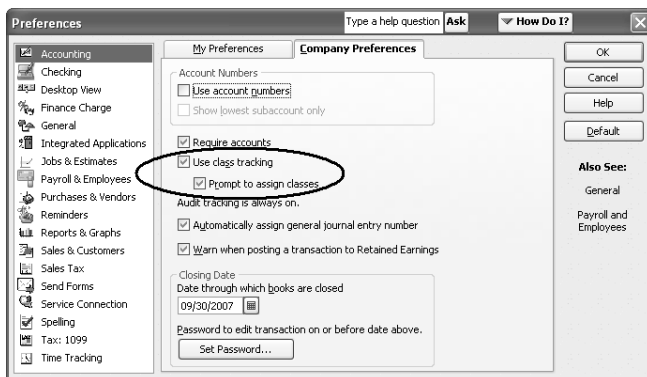
Add subclasses to the mix

The reason it's so important to decide how you want to classify your business transactions is because you can only use classes toward one purpose. For example, you can't create a class for each store location in addition to a class for each business partner. You must choose one or the other.

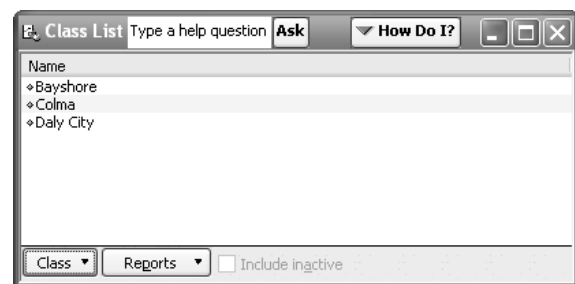
However, subclasses do give you more flexibility. For instance, you can further divide your separate locations into departments or business type. Suppose each location has essentially two businesses: selling construction materials wholesale and contracted construction jobs. We'll reflect this with our subclasses.

To create a subclass:

1. With the Class List window displayed, press [Ctrl]N to open the New Class window.
2. Enter *Wholesale* in the Class Name text box.



2: You can't classify transactions until you enable class tracking in your company file.



3: You can add, edit or delete classes in the Class List window.

3. Select the Subclass Of check box and then select Bayshore from the dropdown list, as shown in **Figure 4**.
4. Click Next to add the new subclass and prepare for a new entry.
5. Repeat steps 2-4 to create Wholesale and Contract subclasses for all three locations.
6. Close the Class List window.

Define a class for misfits

It's generally a good idea to have a class meant specifically for transactions that don't fall neatly into one of the other classes. For instance, a transaction that affects the company as a whole instead of just one location needs its own category. You should set up an "Other" class — or in this case, "Company-wide" class.

If you don't assign a class to one or more of your transactions, they appear in an "Unclassified" column in your reports, as shown in **Figure 1**.

Classify line items

In more recent QuickBooks versions, the Class column automatically appears in most transaction forms once you enable the feature and create the class list. For example, you'll notice it on invoices, estimates, bills and so on. However, in earlier versions, it might not include the Class column for line items. Fortunately, you can edit the form template manually if necessary.

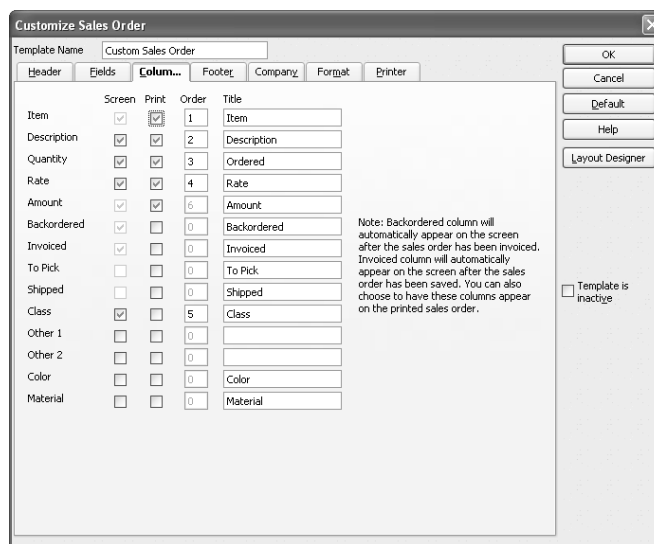
Important note: In most transaction forms, you can assign a class to each individual line item or you can assign it to the entire transaction.

To manually edit a form template to include a Class column:

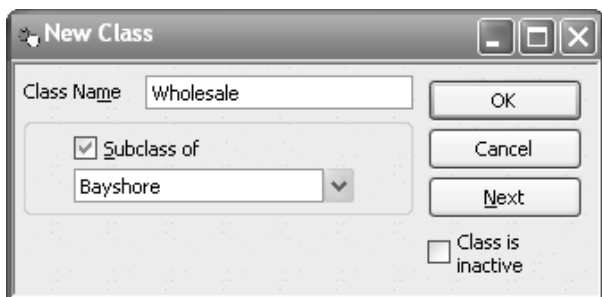
1. Open the form you want to restructure so it displays a Class column for line items.
2. Click the Customize button to open the Customize Template window.
3. Click the Edit button to display the Customize [Form Type] window.

4. Select the Columns tab to see a list of the template's possible line item columns.
5. Ensure that the Screen check box to the right of Class is selected, as shown in **Figure 5**.
6. Click OK to accept the change and return to your form.

If you also want the form to display the Class column when it prints, you can select the Print check box in addition to the Screen check box. However, since the classes you define don't mean anything to the customer, you may want to view it exclusively onscreen.



5: You can add the Class column to your form template so it's easier to assign classes to individual line items.



4: You assign a subclass in the same window that you create classes.

View reports by class

Once you begin assign classes to every transaction, you'll see the difference in your reporting capabilities. The best example of this is the Profit & Loss By Class report. To access this report, just choose Reports | Company & Financial | Profit & Loss By Class from the menu bar. You'll see your classes set up as columns, which makes it easy to skim the report and compare your defined classes' expenses and income.

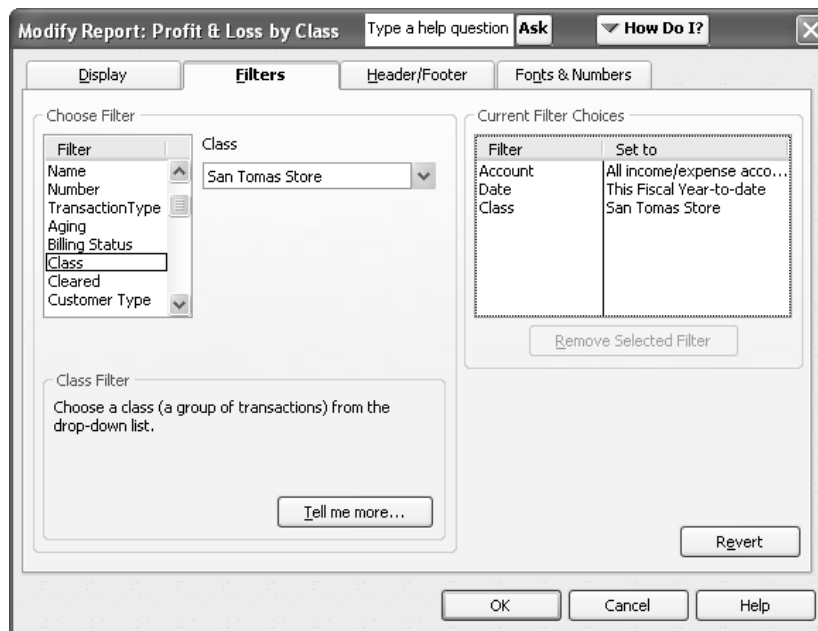
Filter your report to show one class

In addition to comparing your classes in a financial report, you can also filter the report to focus on one class.

To display only one class in a report:

1. Open the desired report. We'll use the Profit & Loss By Class report in the sample company file Carl's Computer Shop.

2. Click the Modify Report button to display the Modify Report: Profit & Loss By Class window.
3. Select the Filter tab, if necessary.
4. Choose Class in the Filter list box and then select San Tomas Store from the Class dropdown list, as shown in **Figure 6**.
5. Click OK to view the report with only the San Tomas Store class displayed (and the Total column).



6: You can only filter reports to show one class at a time — or leave the report unfiltered to view every class.

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